



**PETRON MALAYSIA REFINING & MARKETING BHD**  
(Company Number: 196001000260 (3927-V))

The Board of Directors of Petron Malaysia Refining & Marketing Bhd hereby announces the financial results of the Company for the quarter ended 31 March 2020 and for the three months ended 31 March 2020.

This interim report is prepared in accordance with the requirements of Malaysian Financial Reporting Standard (MFRS) 134 *Interim Financial Reporting* and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (BMSB).



**PETRON MALAYSIA REFINING & MARKETING BHD**  
(Company Number: 196001000260 (3927-V))

**CONDENSED STATEMENT OF FINANCIAL POSITION**  
(Amounts in Thousand Ringgit Malaysia)

		<i>As at</i>	<i>As at</i>
		<i>31 Mar 2020</i>	<i>31 Dec 2019</i>
	Note	<i>Unaudited</i>	<i>Audited</i>
<b>ASSETS</b>			
Cash and cash equivalents		84,027	156,599
Derivative financial assets	12	58,914	8,914
Trade and other receivables		250,271	420,865
Inventories		524,419	706,564
Other current assets		9,895	6,332
Tax recoverable		6,268	-
<b>Total current assets</b>		<b>933,794</b>	<b>1,299,274</b>
Property, plant and equipment		1,267,454	1,163,817
Investment property		656,636	634,333
Right-of-use assets		32,212	32,339
Long-term assets		48,731	49,790
Intangible assets - software		155	167
<b>Total non-current assets</b>		<b>2,005,188</b>	<b>1,880,446</b>
<b>TOTAL ASSETS</b>		<b>2,938,982</b>	<b>3,179,720</b>
<b>LIABILITIES</b>			
Loans and borrowings	17	350,000	130,000
Trade and other payables		676,150	1,088,355
Lease liabilities		6,461	3,776
Derivative financial liabilities	12	69,017	9,941
Retirement benefit obligations		5,951	5,951
Tax payable		-	3,606
<b>Total current liabilities</b>		<b>1,107,579</b>	<b>1,241,629</b>
Retirement benefit obligations		46,169	46,944
Deferred tax liabilities		45,895	75,297
Lease liabilities		37,064	29,891
<b>Total non-current liabilities</b>		<b>129,128</b>	<b>152,132</b>
<b>TOTAL LIABILITIES</b>		<b>1,236,707</b>	<b>1,393,761</b>

The condensed statement of financial position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.



**PETRON MALAYSIA REFINING & MARKETING BHD**  
(Company Number: 196001000260 (3927-V))

**CONDENSED STATEMENT OF FINANCIAL POSITION**  
**(Amounts in Thousand Ringgit Malaysia)**  
**(Continued)**

	<i>As at</i> <i>31 Mar 2020</i>	<i>As at</i> <i>31 Dec 2019</i>
	<i>Unaudited</i>	<i>Audited</i>
<b>EQUITY</b>		
Share capital	143,000	143,000
Retained earnings	1,559,275	1,642,959
<b>TOTAL EQUITY</b>	<b>1,702,275</b>	<b>1,785,959</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,938,982</b>	<b>3,179,720</b>

*Certified by:*

  
**MARK TRISTAN D. CAPARAS**  
Chief Finance Officer

The condensed statement of financial position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.



**PETRON MALAYSIA REFINING & MARKETING BHD**

(Company Number: 196001000260 (3927-V))

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
**(Amounts in Thousand Ringgit Malaysia, Except Per Share Data)**

	Note	January to March	
		2020	2019
		Unaudited	Unaudited
Revenue		2,240,175	2,747,443
Cost of sales		(2,293,394)	(2,604,839)
Gross (loss)/profit		(53,219)	142,604
Other operating income		15,091	15,622
Other operating expenses		(61,788)	(62,422)
Administrative expenses		(3,425)	(3,996)
Results from operating activities		(103,341)	91,808
Other income		14,824	10,922
Other expenses		(23,513)	(22,873)
Finance income		337	1,117
Finance costs		(1,393)	(4,296)
(Loss)/Profit before tax	18	(113,086)	76,678
Tax benefit/(expense)	19	29,402	(19,157)
<b>(Loss)/Profit for the period</b>		<b>(83,684)</b>	<b>57,521</b>
<b>Total comprehensive (loss)/income for the period</b>		<b>(83,684)</b>	<b>57,521</b>
<b>Basic (loss)/earnings per ordinary share (sen)</b>	23	<b>(31.0)</b>	<b>21.3</b>

Certified by:   
**MARK TRISTAN D. CAPARAS**  
 Chief Finance Officer

The condensed statement of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.



**PETRON MALAYSIA REFINING & MARKETING BHD**

(Company Number: 196001000260 (3927-V))

**CONDENSED STATEMENT OF CHANGES IN EQUITY**  
**(Amounts in Thousand Ringgit Malaysia)**

	<i>Non-distributable</i>	<i>Distributable</i>	
	<i>Share capital</i>	<i>Retained earnings</i>	<i>Total equity</i>
<i>Unaudited</i>			
<b>At 31 December 2018, as previously reported/1 January 2019</b>	<b>143,000</b>	<b>1,525,809</b>	<b>1,668,809</b>
Opening balance adjustments from adoption of MFRS 16, net of tax	-	(1,152)	(1,152)
<b>At 1 January 2019, restated</b>	<b>143,000</b>	<b>1,524,657</b>	<b>1,667,657</b>
Total comprehensive income for the period	-	57,521	57,521
<b>At 31 March 2019</b>	<b>143,000</b>	<b>1,582,178</b>	<b>1,725,178</b>
<i>Unaudited</i>			
<b>At 1 January 2020</b>	<b>143,000</b>	<b>1,642,959</b>	<b>1,785,959</b>
Total comprehensive loss for the period	-	(83,684)	(83,684)
<b>At 31 March 2020</b>	<b>143,000</b>	<b>1,559,275</b>	<b>1,702,275</b>

Certified by:

**MARK TRISTAN D. CAPARAS**  
Chief Finance Officer

The condensed statement of changes in equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.



**PETRON MALAYSIA REFINING & MARKETING BHD**  
(Company Number: 196001000260 (3927-V))

**CONDENSED STATEMENT OF CASH FLOWS**  
**(Amounts in Thousand Ringgit Malaysia)**

	<i>January to March</i>	
	<i>2020</i>	<i>2019</i>
	<i>Unaudited</i>	<i>Unaudited</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/Profit before tax	(113,086)	76,678
Adjustments for:		
Amortisation of intangible assets	12	12
Amortisation of long-term assets	2,585	4,015
Depreciation of investment property	8,585	7,061
Depreciation of property, plant and equipment	11,586	11,443
Depreciation of right-of-use assets	127	396
Finance costs	1,393	4,296
Finance income	(337)	(1,117)
Gain on disposal of investment property	-	(3,426)
Gain on disposal of property, plant and equipment	-	(841)
Retirement benefit costs	1,468	1,290
Reversal of impairment loss on trade and other receivables	-	238
Unrealised foreign exchange gain	(760)	(307)
Unrealised loss/(gain) on derivatives	10,103	(10,420)
Write-off of property, plant and equipment	-	4
<b>Operating (loss)/profit before changes in working capital</b>	<b>(78,324)</b>	<b>89,322</b>
Change in inventories	182,145	54,632
Change in long-term assets	(323)	(943)
Change in trade and other payables and other financial liabilities	(442,027)	24,466
Change in trade and other receivables and other financial assets	177,505	280,060
<b>Cash (used in)/from operations</b>	<b>(161,024)</b>	<b>447,537</b>
Interest paid	(2,074)	(3,145)
Interest received	335	1,090
Tax paid	(9,874)	(11,617)
Retirement benefits paid	(2,243)	(1,403)
<b>Net cash (used in)/from operating activities</b>	<b>(174,880)</b>	<b>432,462</b>

The condensed statement of cash flows should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.



**PETRON MALAYSIA REFINING & MARKETING BHD**  
(Company Number: 196001000260 (3927-V))

**CONDENSED STATEMENT OF CASH FLOWS**  
**(Amounts in Thousand Ringgit Malaysia)**  
*(Continued)*

	<i>January to March</i>	
	<i>2020</i>	<i>2019</i>
	<i>Unaudited</i>	<i>Unaudited</i>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of investment property	(9,549)	(112)
Acquisition of property, plant and equipment	(101,713)	(182,250)
Payment for long-term assets	(3,891)	(1,204)
Proceeds from disposal of investment property	-	8,972
Proceeds from disposal of property, plant and equipment	-	1,956
<b>Net cash used in investing activities</b>	<b>(115,153)</b>	<b>(172,638)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds from/(repayment of) borrowings	220,000	(270,000)
Payment of lease liabilities	(2,185)	(1,636)
<b>Net cash from/(used in) financing activities</b>	<b>217,815</b>	<b>(271,636)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(72,218)</b>	<b>(11,812)</b>
<b>EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD</b>	<b>(354)</b>	<b>275</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>156,599</b>	<b>145,430</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>84,027</b>	<b>133,893</b>

Certified by:

  
**MARK TRISTAN D. CAPARAS**  
Chief Finance Officer

The condensed statement of cash flows should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.



**PETRON MALAYSIA REFINING & MARKETING BHD**  
(Company Number: 196001000260 (3927-V))

**Part A – Explanatory Notes Pursuant to MFRS 134 Interim Financial Reporting**

**1. Basis of Preparation**

The interim financial statements are unaudited and prepared in accordance with the requirements of MFRS 134 *Interim Financial Reporting* and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (BMSB). These interim financial statements also comply with IAS 134 *Interim Financial Reporting* issued by the International Accounting Standards Board.

This report should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2019. The explanatory notes to the interim financial statements provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and the performance of the Company since the financial year ended 31 December 2019.

**2. Significant Accounting Policies**

**a) Changes in accounting policies**

The audited financial statements of the Company for the year ended 31 December 2019 were prepared in accordance with MFRS. The accounting policies and methods of computation adopted in these interim financial statements are consistent with those adopted in the audited financial statements for the year ended 31 December 2019.

On 1 January 2020, the Company adopted the following accounting standards, amendments and interpretations of MFRSs effective for annual periods beginning on or after 1 January 2020:

- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

**b) MFRSs, amendments and interpretations which are applicable to the Company but not yet effective**

The new standards, amendments and interpretations applicable to the Company that will be effective but have not been adopted yet by the Company, are as follows:

MFRSs, amendments and interpretations effective 1 January 2022:

- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

The Company will apply the above standard, amendments and interpretations on their effective dates.

**3. Comments about Seasonal or Cyclical Factors**

The operations of the business are not seasonal or cyclical in nature.



#### 4. Unusual Items Due to Their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income and cash flows of the Company during the quarter.

#### 5. Changes in Estimates

There were no changes in estimates that have had any material effect in the current quarter.

#### 6. Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale or repayments of debt and equity securities during the quarter.

#### 7. Dividends Paid

There has been no dividend paid since 31 December 2019.

#### 8. Segmental Information

The Company is organised as one integrated business segment which operates to manufacture and sell petroleum products. These integrated activities are known across the petroleum industry as the Downstream segment. As such, the assets and liabilities are disclosed within the financial statements as one segment.

Revenues are mainly derived from the sale of petroleum products to domestic customers including its affiliates and competitors. A breakdown of the revenues by geographical location is as follows:

<i>In RM'000</i>	<i>3 months ended</i>		<i>Period ended</i>	
	<i>31.03.2020</i>	<i>31.03.2019</i>	<i>31.03.2020</i>	<i>31.03.2019</i>
Domestic	2,051,529	2,398,587	2,051,529	2,398,587
Foreign	188,646	348,856	188,646	348,856
	<b>2,240,175</b>	<b>2,747,443</b>	<b>2,240,175</b>	<b>2,747,443</b>

For the period ended 31 March 2020 approximately RM485,366 thousand (2019: RM579,742 thousand) of the revenues are derived from one major customer who is a related party to the Company.

All non-current assets of the Company are located in Malaysia.

#### 9. Changes in Composition of the Company

There were no changes in the composition of the Company during the quarter.

#### 10. Changes in Contingent Assets and Contingent Liabilities

There were no significant changes in contingent assets or contingent liabilities since the last annual statement of financial position as at 31 December 2019.

## 11. Capital Commitments

Capital commitments not provided for in the interim financial statements as at 31 March 2020 are as follows:

<i>In RM'000</i>	<i>As at</i>	
	<i>31.03.2020</i>	<i>31.03.2019</i>
Contracted but not provided for		
Property, plant and equipment	166,731	279,890
Investment properties	66,105	53,987
	<u>232,836</u>	<u>333,877</u>

## 12. Derivative Financial Instruments

The Company measures fair value using the following fair value hierarchy that reflects the significance of the input used in making the measurements:

### Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

### Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

### Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

There has been no transfer between Level 1 and Level 2 fair values during the period.

As at 31 March 2020, the Company has the following outstanding derivative financial instruments:

<i>In RM'000</i>	<i>Fair value hierarchy</i>	<i>Contract/ Nominal value</i>	<i>Fair value</i>	
			<i>Assets</i>	<i>Liabilities</i>
<i>Type of derivatives</i>				
Derivatives held for trading at fair value through profit or loss				
- Forward exchange contracts	Level 2	105,568	1,267	(69)
- Commodity swaps	Level 2	292,766	57,647	(68,948)
		<u>398,334</u>	<u>58,914</u>	<u>(69,017)</u>

Most forward exchange and commodity derivative contracts have maturities of one year or less after the end of the reporting period.

## 12. Derivative Financial Instruments (continued)

Forward exchange and commodity derivative contracts are transacted with accredited banks and traded on over-the-counter (OTC) markets. The related accounting policies, cash requirements of the derivatives, risks associated with the derivatives and policies to mitigate those risks are unchanged since the last financial year.

Derivatives are financial instruments classified at fair value through profit or loss. Derivative instruments are initially recognised at fair value on the date in which the derivative transactions are entered into, and are subsequently re-measured at fair values. Gains and losses from changes in fair values of these derivatives are recognised directly in profit or loss.

## 13. Fair Value Changes of Financial Liabilities

The gains and losses arising from fair value changes of financial liabilities measured at fair value through profit or loss are as follows:

<i>In RM'000</i>	<i>Fair Value Gain/(Loss)</i>		<i>Basis for fair value measurement</i>
	<i>3 months ended</i>	<i>Period ended</i>	
	<i>31.03.2020</i>	<i>31.03.2020</i>	
Forward exchange contracts	1,663	1,663	Level 2 (OTC price)
Commodity swaps	(60,739)	(60,739)	Level 2 (OTC price)
	<u>(59,076)</u>	<u>(59,076)</u>	

The fair value gains and losses on derivative financial liabilities are due to changes in price of underlying commodities and foreign exchange.

Except for the derivative financial liabilities, all other financial liabilities are measured at the amortised cost using effective interest method. Hence, no gain or loss is recognised for changes in the fair values of these liabilities.

## **Part B – Explanatory Notes Pursuant to Main Market Listing Requirements of Bursa Malaysia Securities Berhad**

### **14. Review of Performance - Current financial period ended 31 March 2020**

The implementation of the Movement Control Order (MCO) by the Malaysian Government since 18 March 2020 aimed to curb the spread of COVID-19 pandemic substantially reduced domestic fuel demand. As a result, the Company sold 8.1 million barrels in the first quarter of 2020, 11% contraction compared to 9.1 million barrels sold in the same period in 2019. Coupled with the sudden plunge in global oil prices because of the price war initiated by the top oil producing countries, the Company's revenue of RM2,240,175 thousand for the quarter was 18% lower compared to prior year.

The COVID-19 pandemic drastically reduced global demand for both crude and refined products amid the oil price war in early March 2020. Benchmark Dated Brent crude price fell by 52% from December 2019 average of US\$67 to US\$32 per barrel in March 2020. The sudden fall in oil prices resulted in inventory holding losses for the Company, while refining margin was further suppressed by higher crude premiums. The contraction in sales volume due to MCO, inventory holding losses and weak refining margins resulted in RM53,219 thousand gross loss.

While the Company adopted cost-reduction measures and adequate risk management system which cushioned the fall in margin, the swift decline in regional oil prices amid restricted economic activities in the domestic market weighed heavily on the Company's financial performance, resulting to a net loss of RM83,684 thousand for the first three months of 2020 compared to RM57,521 thousand net profit during the same period last year.

The Company recorded loss before tax for the quarter at RM113,086 thousand versus profit before tax of RM39,669 thousand in the preceding quarter.

### **15. Commentary on Prospects**

The first four months of 2020 was heavily tolled by the depressed global oil market due to the reduced demand caused by COVID-19 pandemic and looming oversupply amid dwindling available oil storage capacities worldwide. Further, the possibility of a second wave of infections remains a serious threat. However, the general view is a recovery of the oil market starting in the third quarter of the year, with the month of May showing early signs of price recovery at the back of the latest production cuts agreement between the Organization of the Petroleum Exporting Countries (OPEC) and its partners to rebalance the market up to 2021. Concurrently, oil demand is gradually rebounding as the lockdowns imposed by governments worldwide to curb the spread of Covid-19 are slowly easing down.

Against a highly challenging global economic outlook, the Malaysian government revised the country's gross domestic product (GDP) at between -2.0% to 0.5% in 2020, as compared to 4.3% in 2019. Though economic growth is expected to soften on the local front, the Company anticipates its performance to recover gradually once the MCO is lifted phase by phase, resulting in easing of travel restrictions and revival of economic activities.

With prudent risk and resource management measures, the Company will focus its course towards recovery in the immediate term while keeping its firmed view on its long-term strategic targets towards business growth such as retail network expansion, operational efficiency, and customer service experience.

## 16. Profit Forecast or Profit Guarantee

As a matter of policy, the Company does not make profit forecasts or profit guarantees.

## 17. Loans and Borrowings

The Company's loans and borrowings are as follows:

<i>In RM'000</i>	<i>As at</i>	
	<u>31.03.2020</u>	<u>31.03.2019</u>
<b>Current</b>		
Revolving credit – unsecured	350,000	120,000

## 18. (Loss)/Profit before Tax

(Loss)/Profit before tax is arrived at after charging (crediting) the following items:

<i>In RM'000</i>	<i>3 months ended</i>		<i>Period ended</i>	
	<u>31.03.2020</u>	<u>31.03.2019</u>	<u>31.03.2020</u>	<u>31.03.2019</u>
Amortisation of intangible assets	12	12	12	12
Amortisation of long-term assets	2,585	4,015	2,585	4,015
Depreciation of right-of-use assets	127	396	127	396
Finance costs	1,393	4,296	1,393	4,296
Finance income	(337)	(1,117)	(337)	(1,117)
Foreign exchange				
- Realised loss/(gain)	11,507	(3,603)	11,507	(3,603)
- Unrealised gain	(760)	(307)	(760)	(307)
(Gain)/Loss on derivatives	(55,375)	48,627	(55,375)	48,627
Investment property				
- Depreciation	8,585	7,061	8,585	7,061
- Gain on disposal	-	(3,426)	-	(3,426)
Property, plant and equipment				
- Depreciation	11,586	11,443	11,586	11,443
- Gain on disposal	-	(841)	-	(841)
- Write-off	-	4	-	4
Reversal of impairment loss on trade and other receivables	-	238	-	238

There are no exceptional items and gain or loss on disposal of quoted or unquoted investments.

**19. Tax (Benefit)/Expense**

<i>In RM'000</i>	<i>3 months ended</i>		<i>Period ended</i>	
	<i>31.03.2020</i>	<i>31.03.2019</i>	<i>31.03.2020</i>	<i>31.03.2019</i>
<b>Current tax expense</b>				
- Current year	-	22,735	-	22,735
<b>Deferred tax expense</b>				
- Origination and reversal of temporary difference	(29,402)	(3,578)	(29,402)	(3,578)
<b>Total income tax (benefit)/expense</b>	<b>(29,402)</b>	<b>19,157</b>	<b>(29,402)</b>	<b>19,157</b>

The effective tax rate is different than the statutory tax rate primarily reflecting the varying relationship of the non-deductible expenses (which are relatively fixed over time) to changing levels of profit or loss from period to period.

**20. Corporate Proposals**

There were no corporate proposals.

**21. Changes in Material Litigation**

As disclosed in Note 29 of the Company's 2019 audited financial statements, Konsortium Lord Saberkat Sdn. Bhd. (KLSSB) on 5 February 2020 filed an application for leave to appeal to the Federal Court against the dismissal by the Court of Appeal for the Second Suit claim amounting to approximately RM109,184 thousand. The application is scheduled for hearing on 21 July 2020.

The Company has instructed its external counsel to act on its behalf and does not expect any financial or operational impact as a result of KLSSB's application for leave to appeal to the Federal Court.

**22. Dividend Payable**

The Company did not declare any dividends during the three months ended 31 March 2020.

**23. (Loss)/Earnings per Ordinary Share**

	<i>3 months ended</i>		<i>Period ended</i>	
	<i>31.03.2020</i>	<i>31.03.2019</i>	<i>31.03.2020</i>	<i>31.03.2019</i>
Net (loss)/profit attributable to shareholders (RM'000)	(83,684)	57,521	(83,684)	57,521
Number of ordinary share units in issue ('000)	270,000	270,000	270,000	270,000
Basic (loss)/earnings per share (sen)	(31.0)	21.3	(31.0)	21.3

**24. Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the Company's financial statements for the year ended 31 December 2019 was not qualified.